STATEMENT BY
COALITION TO PROMOTE U.S. AGRICULTURAL EXPORTS
TO THE
SUBCOMMITTEE ON SPECIALTY CROPS AND
FOREIGN AGRICULTURE PROGRAMS
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

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Good morning, Mr. Chairman. My name is Tim Hamilton, and I am Executive Director of Mid-America International Agri-Trade Council (MIATCO) and Food Export USA—Northeast, which are regional trade organizations that offer services to help U.S. food and agricultural companies promote their products in foreign markets. Today, I am testifying on behalf of the Coalition to Promote U.S. Agricultural Exports of which we are a member. We commend you, Mr. Chairman, and members of the subcommittee, for holding this hearing to review our agricultural trade programs and wish to express our appreciation for this opportunity to share our views.

The Coalition to Promote U.S. Agricultural Exports is an ad hoc coalition of over 80 organizations, representing farmers and ranchers, cooperatives, small businesses, regional trade organizations, and the State Departments of Agriculture (see attached). We believe the U.S. must continue to have in place policies and programs that help maintain the ability of American agriculture to compete effectively in a global marketplace still characterized by subsidized foreign competition.

Farm income and agriculture's economic well-being depend heavily on exports, which account for one-third or more of domestic production, provide jobs for millions of Americans, and make a positive contribution to our nation's overall trade balance. In 2001, U.S. agriculture exports are projected to be around $53.5 billion, down $6 billion from 1996. This is caused by a combination of factors, including continued subsidized foreign competition and related artificial trade barriers. U.S. agriculture's trade surplus is also expected to be about $14.5 billion, down nearly 50 percent from 1996, with continued low commodity prices also forecast.

According to recent USDA information, the EU and other foreign competitors are outspending the U.S. by a factor of 20 to 1 with regard to the use of export subsidies and other expenditures for export promotion. In 1998 (the most recent year for which data is available), in addition to spending $6 billion in export subsidies, our leading foreign competitors spent a combined $1 billion on various activities to promote their exports of agricultural, forestry, and fishery products, including some $379 million by the EU.

According to USDA, spending by these competitor countries on market promotion increased by 50% over the 1995-98 time period, while U.S. spending remained flat. We have no reason to believe that this trend has changed since then. Furthermore, almost all of this increase has been directed to the high-value and consumer-ready product trade.

How does this play out in the marketplace? Some major retail chains overseas no longer budget for travel for their buyers because they expect us to cover those costs. Recently, a major importer canceled our invitation to meet with U.S. suppliers because he received a more generous offer from Canada. These experiences are becoming routine.

Information compiled by USDA also shows that such countries are spending over $100 million just to promote sales of their products in the United States. In other words, they are spending more to promote their agricultural exports to the United States, than the U.S. currently spends ($90 million) through MAP to promote American-grown and produced commodities worldwide! In FY 1999, the U.S. recorded its first agricultural trade deficit with the EU. In FY 2000, that trade deficit nearly doubled to $2 billion.

As the EU and our other foreign competitors have made clear, they intend to continue to be aggressive in their export efforts. For this reason, we believe the Administration and Congress should strengthen funding for MAP and other export programs as part of a strong trade component in the new Farm Bill, and also ensure that such programs are fully and aggressively utilized. It should be noted that MAP was originally authorized in the 1985 Farm Bill at a level of $325 million, and actual funding reached a high of $200 million in the late 1980's. Since then, funding has been gradually reduced to its current level of $90 million—a reduction of more than 50 percent.

In order to reverse the decline in funding over the past decade for a number of our agricultural export programs, the Coalition strongly supports increasing the authorized level of funding for MAP from its current level of $90 million per year to $200 million per year. We also urge that no less than $43.25 million annually be provided for the Foreign Market Development (FMD) Cooperator Program for cost-share assistance to help boost U.S. agriculture exports. For FMD, this proposed increase reflects the 1986 level of funding, adjusted for inflation. Further, the Coalition recommends that the Export Enhancement Program (EEP) be fully funded as allowed under the Uruguay Round agreement, and if the program has unused funds available at the end of the fiscal year, they should be used for related market development and promotion activities or other WTO legal programs.

We wish to emphasize that MAP and FMD are administered on a cost-share basis with farmers and other participants required to contribute up to 50% of their own resources. These programs are one of the few tools specifically allowed under the Uruguay Round Agreement to help American agriculture and American workers remain competitive in a global marketplace still characterized by subsidized foreign competition. By any measure, they have been tremendously successful and extremely cost-effective in helping maintain and expand U.S. agricultural exports, protect American jobs, and strengthen farm income.

Let me now describe how my organization utilizes the Market Access Program to help U.S. food producers get started exporting, and to promote our country's value-added agricultural exports. The 50 state departments of agriculture participate in MAP through four state regional trade groups. These groups coordinate the export promotion efforts of the states, and focus on assisting smaller food and agricultural processors and farmer cooperatives.

We identify three different levels of assistance for smaller exporters: Exporter Education and Training, Market Access and Opportunity, and Market Promotion. Let me tell you how MAP funds are used to support those efforts:

Exporter Education and Training

- Our "Food Export Helpline" is available to companies with specific questions on how to enter new markets, or how to handle documentation or other technical issues they confront. We also publish a regular newsletter, which informs thousands of companies about opportunities and events in the export market.

Market Access and Opportunity

- We help companies find importers and distributors overseas. International trade shows are one of the most important means of locating new customers. We support U.S. companies with the technical information they need to learn if their product can be competitive in a market.

Market Promotion

- Our Branded Program offers cost share assistance, through which we support 50% of the promotional costs for small companies. This encourages firms to take the risk to attend international shows and promote their goods. <u>We routinely hear from small companies that they simply would never have considered the export market if not for this program.</u>

The MAP focuses on value-added products, including branded foods. Overseas consumers, like those here in the U.S. tend to buy products based on brand names. By promoting brand names that contain American agricultural ingredients, we build long-term demand for our products. These value-added products support jobs and encourage investment in our own processing industries.

Here's just one example:

Palermo's Villa is a small Midwestern supplier of frozen pizzas. They used MAP funding to sponsor in-store promotions in Canada. From those promotions, their export sales more than tripled and they've doubled their purchases of inputs, like wheat flour, cheese, tomato sauce and meat. They've added more than 30 new jobs at their plant. This effort supports long-term, sustainable demand for U.S. products and the jobs that add value to those products.

The MAP also stimulates private investment. While the MAP requires that companies match all federal dollars on a one-for-one basis, in fact most companies spend much more than that. Last year, companies in our program spent over $4.00 for each dollar they were reimbursed.

During the last year, U.S. companies signed over 1,000 new customer agreements worldwide, through our efforts. And over 200 small companies made their first export sale of U.S. agricultural products. None of this would have been possible without support from the MAP program.

American products are seen world wide as high quality products. Safe products. Selling higher quality products requires promotion. The MAP is an investment in promotion that pays off.

As world trade increases, so does competition. It is essential that we retain, and in fact, increase funding for the Market Access Program, in order to continue to build our export markets for U.S. agriculture.

I appreciate very much this opportunity to testify in support of these important agricultural export programs, and would be pleased to respond to any questions you may have.